

**MINUTES OF THE  
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING  
WEDNESDAY, JANUARY 24, 2007, 2:00 P.M.  
Room W125, West Office Building, State Capitol Complex**

Members Present:        Sen. Howard A. Stephenson, Co-Chair  
                              Rep. Bradley G. Last, Co-Chair  
                              Sen. Lyle W. Hillyard  
                              Sen. Patricia W. Jones  
                              Sen Kevin T. VanTassell  
                              Rep. Tim M. Cosgrove  
                              Rep. Lorie D. Fowlke  
                              Rep. Gage Froerer  
                              Rep. Ronda Rudd Menlove  
                              Rep. Karen W. Morgan  
                              Rep. Phil Riesen  
                              Rep. Aaron Tilton  
                              Rep. Carl Wimmer

Members Absent:        Rep. Brad L. Dee  
                              Rep. Gregory H. Hughes

Staff Present:            Ben Leishman, Legislative Fiscal Analyst  
                              J. Daniel Schoenfeld, Legislative Fiscal Analyst  
                              Cherie Schmidt, Secretary

Public Speakers Present:    Auston Johnson, State Auditor  
                              Rob Smith, Business Administrator, Alpine School District  
                              Ray Bartholomew, CPA, Squire & Company, PC  
                              Greg Holbrook, Director of Accounting, Alpine School District  
                              Patti Harrington, State Superintendent, USOE  
                              Carol Goodson, Arts Specialist, USOE  
                              Rose Ann Henderson, District Arts Coordinator for the Salt Lake City  
                              School District  
                              Brent Haymond, Springville Museum, POPS  
                              Glen Taylor, Executive Director, Regional Service Centers  
                              Rep. Michael Noel  
                              Brent Thorne, Superintendent, Sevier School District  
                              Kirk Wright, Superintendent, Juab School District

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Stephenson called the meeting to order at 2:15 p.m.

1. **Welcome** - Co-Chair Stephenson welcomed those present to the meeting.

2. **Approval of Minutes** -

**MOTION:** Sen. Jones moved to approve the minute of the January 10, 2007, and the January 17, 2007 Subcommittee meetings.

The motion passed unanimously with Rep. Fowlke and Rep. Wimmer absent at the time of voting.

3. **Technology Update** - This agenda item was moved to another day.

4. **Audit Procedures Presentation** - Co-Chair Stephenson introduced this agenda item by stating that recently in the media there was a report of some financial defalcation in the Davis School District regarding Special Education misappropriations. There have also been some accounts of similar kinds of fraud in the foundation of the Weber School District. These district officials are not present today because during the federal investigation they are not permitted to speak publicly. Co-Chair Stephenson further stated that the questions that have arisen because of this have centered on the idea that the Legislature is spending millions of dollars each year for school districts to contract with independent auditors to do full-blown audits of these school district finances and development of the comprehensive financial reports of these districts for the public who have a right to know where this money is being spent and to know that it is being spent legally. The speakers today will give some understanding of what those independent audits are supposed to do and what assurances tax payers have in requiring those audits.

Auston Johnson, State Auditor, addressed the Subcommittee to speak on auditing. Mr. Johnson referred to a handout entitled, "Auditing and Internal Control." He began by stating that an audit is an examination of accounting records. The purpose of this examination is for the auditor to give an opinion on whether those statements are fairly presented. Fair presentation does not mean the statements are 100 percent accurate. It means that financial statements are accurate within an acceptable range. An auditor cannot guarantee 100 percent accuracy because audits do not look at every transaction of an entity. They are performed using various forms of sampling and estimates. Since an auditor cannot give absolute assurance, the opinion that accompanies the financial statement states that the auditor is giving reasonable assurance that the statements are fairly presented. Reasonable assurance has been defined within the accounting profession as a high level of assurance. What this means is that a reader of financial statements is given a high level of assurance that they can rely on those statements. The auditor establishes a reasonable range called "materiality." The numbers are materially correct. Every audit has risks. The auditor's job is to reduce the risk so that he/she can give

reasonable assurance that the statements are presented fairly. Auditors have the responsibility of also looking at Internal Control. Internal control is the responsibility of management and is a process designed to provide reasonable assurance of achieving objects regarding reliability of financial reporting, effectiveness of operations, and compliance with applicable laws and regulations. The auditor is required to obtain an understanding of internal control so that he/she can plan the audit, or in other words, how much sampling and testing he/she must do. The auditor must be sure that he/she has done enough substantive work to reduce the Audit Risk to a low level of risk. The above discussion is based on the requirements contained in *Generally Accepted Auditing Standards* (GAAS). All auditors must follow (GAAS) in the performance of audits in the United States. All audits in the State of Utah must follow both GAAS standards and GAO (Government Accountability Office) standards.

Co-Chair Stephenson asked that if during the independent auditor's audit of a school district, if every employee of the district were to be notified that they could confidentially share information of any wrong doing. Mr. Johnson responded by stating that management must have a way for employees to report suspected wrong doing without any threat of reprisal for being a whistle blower. In fact, management should encourage employees to report any instance where they believe someone is doing something they should not be doing to the detriment of the entity.

Mr. Johnson also discussed the responsibility of the State Auditor's Office in reference to school districts. The office is tasked with making sure that there are uniform budget documents that all school districts fill out. Accounting procedures are established that all school districts have to follow, and each school district is required to submit an audited financial statement every year. The document is reviewed to make sure that the opinion is right and the financial statements look correct following general accounting principles. A management letter is also reviewed where school districts list their findings and their recommendations for improvement. If there is any finding that is significant and would require the involvement of the State Auditor, they work with the district to make sure that the finding is corrected. Letters are also sent out to districts to their auditing committees explaining what their responsibilities are and how they should be organized in working with the auditor to ensure that the audit is received correctly. They are also made aware of their responsibility in detecting fraud. All of these management letters are available online.

Co-Chair Stephenson introduced the next presenters from the School Business Administrator led by Rob Smith who is the Business Administrator of the Alpine School District. In Alpine, some employees in the Business Administration Office have received national awards for the controls and procedures they have implemented and shared nationally. Mr. Smith introduced Ray Bartholomew, who is an external auditor and does

work for school districts and charter schools in the state, and Greg Holbrook who is a CPA and Director of Accounting in Alpine. Mr. Holbrook has been recognized nationally by the Association of School Business Officials and internationally for his work. Mr. Smith stated that all employees that are hired by school districts have a background check and are finger printed. In 2006, The State Auditor's Office sent out a recommendation that districts and charter schools adopt a "Code of Conduct" where every management individual and those who handle money sign this document which states that they will adhere to high standards in dealing with the public's trust in their fiduciary responsibility to the taxpayer. The Alpine District has implemented this document so that every employee is aware of this responsibility.

Mr. Bartholomew addressed the Subcommittee and stated that in addition to the financial audits that are conducted at the district level, federal and state compliance internal controls are also reviewed. Reports are given to the Audit Committee and to the Boards of the school districts that give the findings based on the evaluations that has been made. Mr. Bartholomew referred to a handout given to the Subcommittee that states that it is important to monitor the effectiveness of control policies and procedures as well as the resolution of potential problems identified by controls—ongoing and special monitoring activities to ensure that controls function properly and management's response to discrepancies is adequate. He also stated that it is important that no one individual has complete control over a transaction or function. Everything must be reviewed by someone else. Management is *primarily* responsible for internal controls. This handout also lists in detail the potential problems that districts may encounter.

Mr. Holbrook addressed the Subcommittee and spoke on the Financial Internal Controls of the Alpine School District. A handout given to the Subcommittee details the procedures that have been implemented in this district to help them in financial matters. The handout consists and details the following:

- Composition of the Audit Committee
- A District Procedures Handbook which deals with district and school financial procedures
- The responsibility of the Internal and External Auditors
- Cash procedures of the district
- Checks and Balances for District Cash
- Disbursements
- Purchases

Mr. Holbrook stated that as a public entity anyone should be able to look at anything that is done financially. He also stated that the best internal controls are simple processes whereby every month schools are required to show their fiduciary responsibilities and

show they are accountable with what is being done. Mr. Holbrook provided an example of a monthly school checklist that is required of every principal to fill out and return to the Auditing Committee. Alpine School District does allow everyone to look at the financial reports of each school, including parents. Alpine District also has a website where checks that are written are posted in a PDF file so anyone can look at that file. The Board also approves those checks in a business meeting each month. Financial reports are also posted which include an audit opinion.

5. **Analysis Budget Presentation** - Ben Leishman, Legislative Fiscal Analyst, referred to Tab 13 of the *Budget Analysis FY 2008* Budget Brief - Fine Arts Educational Outreach. This program assists Utah's professional art organizations in providing their expertise in teaching the State's fine art curriculum in the public schools. Program origins began in the early 1960s with the Utah Symphony. A decade later the program expanded to include Ballet West, the Utah Opera, and the Planetarium. Each organization matches their State allocations with private or foundation funds. The State is contributing approximately 36 percent (FY 2006) of the total cost of the program. Mr. Leishman further stated that for many years the program was combined with the Fine Arts and Sciences Program, which included science outreach programs such as the Planetarium and the Utah Museum of Natural History. During the 2006 General Session, the Legislature bifurcated the Fine Arts and Sciences Program into two separate budgetary line items. The Fine Arts Educational Outreach Program and the Science Educational Outreach Program provide the same type of service in the schools (demonstrations, presentations, and educational activities) but differ significantly in subject matter. In that process of bifurcating the two programs, this Subcommittee adopted a proposal which provided a 9 percent increase to the operating organizations as well as developed and strengthened the science program. In that bifurcation proposal there was also a proposal for a Fine Arts Enhancement Program. The proposal envisioned a pool of funding available to organizations participating in the Professional Outreach Program in the Schools (POPS) to expand their educational outreach programs to serve a greater number of students and teachers. A similar program was created for the Science Outreach Program; but due to funding constraints, the fine arts portion was not funded. The State Board of Education requests a \$300,000 appropriation to begin the Fine Arts Enhancement Program. The Analyst recommends that the Legislature consider a POPS Enhancement Program and determine criteria for the distribution of revenues (additional students/teachers served). The Analyst recommends an initial base funding level of \$300,000 in ongoing Uniform School Funds.

Mr. Leishman continued by stating that each year organizations participating in education outreach submit to the Legislature through the Fiscal Analyst's Office an accountability report. In addition to the accountability report submitted annually, most of the organizations go through either a yearly review if they participate in the Fine Arts

Request for Proposal Program or a four-year review if they participate in the Professional Outreach Program. A table contained in the Brief shows Accountability Detail for FY 2005 and FY 2006. FY 2006 shows a decline in the number of schools, students, and teachers served. Further, the number of instructional hours also has decreased. State revenue allocations to the Fine Arts and Sciences Program remained flat for three years, likely resulting in the decrease in the reported accountability measures.

The largest of the three programs is the POPS Program. The POPS FY 2008 base budget totals \$2,515,100 distributed to the nine organizations. Annual allocations for participating organizations range from \$1,133,000 for the Utah Symphony & Opera to \$110,300 for Ririe-Woodbury Dance Company. The remaining funding is divided among two programs, the RFP Program and the Subsidy Program. Two organizations currently participate in the Request for Proposals Program. The Utah Museum of Fine Arts received \$38,850 and Spy Hop Productions received \$26,150. Finally, only one program participates in the Subsidy Program, Arts Inc.

6. **Agency Response, State Superintendent Patti Harrington** - Superintendent Harrington stated that the POPS Program and other programs that feed into the outreach for schools plant seeds for children that no one else can do. The program provides the early learning and interest that later blooms in high school and college for the fine arts. She said that the current dollar is going to work for fine arts as it relates to the POPS.

Superintendent Harrington further stated that the Board has encouraged elementary schools to spend one-half day in literacy bringing science and social studies into those literacy hours, one-fourth day in math to increase the math ability of children, and one-fourth of the day in those areas that stand alone such as the fine arts. Superintendent Harrington also stated that in the Math and Literacy Class Size Reduction requested by the State Board of Education, there is an idea that is worth pursuit. Rather than adding another classroom teacher and another classroom, why not purchase a fine arts instructor who will during the day take one-half of one class and one-half of another class and create an art lesson or dance instruction while the teacher is left with half of the class to work on math and literacy in a more intensive smaller class size.

7. **Presentation-Fine Arts Organization** Carol Ann Goodson, Arts Specialist, USOE, also addressed the Subcommittee in support of the POPS Program. Ms. Goodson referred in her remarks to the background, new developments, and the impact of the POPS Program. A handout was given to the Subcommittee entitled, "Fine Arts and Sciences Professional Outreach Program in the School 2005-2006 Executive Summary Narrative," which details these three areas of discussion.

Rose Ann Henderson, District Arts Coordinator for the Salt Lake City School District, addressed the Subcommittee in support of the Fine Arts Program.

Melissa Adams, Director of Institutional Gifts for the Utah Symphony Opera, also spoke on the POPS Program. She stated that the POPS Mission Statement is to enhance students' and teachers' understanding of essential Core Curriculum concepts while promoting an appreciation for the aesthetics of arts. They enrich the arts experience of students and teachers by providing high quality, innovative, interaction programs with professional outreach services. The nine POPS Organizations were represented in the meeting and they include:

- Repertory Dance Theatre
- Utah Shakespearean Festival
- Ririe Woodbury Dance Company
- Utah Symphony and Opera
- Ballet West
- Springville Museum of Art
- Utah Festival Opera
- Children's Dance Theatre
- Symphony Opera

The three objectives of the POPS Program are to provide enhancement of the State Core Curriculum through school visits by professional arts organizations' presentations and in-depth educational activities, collaborate as POPS partners with the Utah State Office of Education and the school community to provide well-articulated meaningful content through ongoing evaluation and implementation, and offer services to all students and teachers in Utah.

Brent Haymond representing the Springville Museum of Art and the POPS Organization stated that the budget request for the POPS Program is for \$450,000 ongoing appropriation to support the nine organizations in the POPS Program. Each group will receive \$50,000. The handout provides details of this request.

This agenda item concluded with a presentation by opera apprentices from the Utah Symphony and Opera.

8. **Public Comment** - Glen Taylor Executive Director of the Regional Service Centers spoke to the Subcommittee concerning these Centers. Mr. Taylor referred to a handout given to the Subcommittee entitled, "Utah's Regional Service Centers."

He stated that there are four Regional Service Centers in Utah that were established to provide educational and technical support to 26 of Utah's rural school districts. Services that are provided by these centers include the following:

- Technology-Regional Coordination, Network Engineering, Technical Support, Integration Training
- Reading-Literacy Training and Support
- Instructional Media Distribution and Duplication
- Student Assessment Results Training and Support
- Educational Professional Development
- Grant Writing and Support

Mr. Taylor stated that the FY 2008 Regional Service Center Funding Request is for an increase for ongoing funding for employee wage adjustments to catch up on previous years' budget shortfalls. To meet this objective, the Centers are asking the Subcommittee to increase this fund by \$200,000 (\$50,000 per center). The USBE has included a \$200,000 continuation cost request in the USOE budget. Another request of the Centers is to provide a consistent and stable method of obtaining funding increases into the future. Currently, Service Center funding is included in the USOE budget where it has been since 2002. Originally Service Center funding was included as part of the Minimum School Program. Since the Service Center funding was moved to USOE, it has failed to increase at a level equal to the WPU and that of state employees. To meet this objective, the Centers are also requesting that the Subcommittee move the Regional Service Center funding back to the Minimum School Program above the line by amending

53A-17A-104. They are asking that \$1.505 million (\$1.305 million current funding + \$200,000 new ongoing request) be appropriated this year. The handout further details funding and those groups who support the two funding requests.

The following individuals spoke in support of the Regional Service Centers:

Rep. Michael Noel  
Brent Thorne, Superintendent, Sevier School District  
Kirk Wright, Superintendent, Juab School District

Co-Chair Stephenson raised a question concerning local school districts and their contribution to these Centers. He stated that according to the handout provided the local districts' contribution has been declining over time while the State ongoing funding has been increasing. He posed the question should the Legislature allocate funding if the local schools don't value these Centers. Co-Chair Stephenson asked that a local district commitment be reviewed. Response continued with an explanation of why this funding



has decreased. It was stated that it may be due to a low income area, declining enrollment, and taxes. Co-Chair Stephenson asked that a formula be determined to ensure that funding from the local school districts is not declining.

**MOTION:** Sen. VanTassell moved to adjourn.

Co-Chair Stephenson adjourned the meeting at 5:00 p.m.

Minutes were reported by Cherie Schmidt, Secretary

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Sen. Howard Stephenson, Committee Co-Chair

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Rep. Bradley G. Last, Committee Co-Chair